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SUBJECT: POLAND: PKN ORLEN PRESIDENT WEATHERS A STORM

Classified By: Economic Counselor Richard Rorvig, reasons 1.4 b and d.

¶1. (C) Summary: PKN Orlen President Igor Chalupec has been under intense scrutiny over the past few months by the Polish government and press. Monthly press reports speculate that he will be replaced. Recent press articles include detailed accounts and biographies on potential replacements. Chalupec, a technocrat appointed by the previous government, should retain his position until the PKN Orlen purchase of Lithuania's Mazeiukiu refinery is completed. Chalupec's eventual removal will be part of the GOP's larger effort to rid the government and state-owned enterprises of anyone appointed by the previous government and is, as far as we are aware, in no way a reflection of his job performance. End Summary.

¶2. (U) For months, the Polish press has reported on PKN Orlen (PKNO) President Chalupec's tenuous hold on his position and conflicting GOP statements on his tenure. Most recently, On November 9, Deputy Treasury Minister Pawel Szalamacha publicly stated that "Chalupec's mission is coming to an end." (Note: As a majority state-owned enterprise, The Treasury appoints board members and supervises PKN Orlen. End Note.) On November 10, Ministry spokesman Kozyra back-tracked, stating "Referring to information about the possibility of dismissing Igor Chalupec during the supervisory board's next meeting, the ministry announces it does not foresee such a solution." Orlen's supervisory board next meets on November 30, when staff changes could be discussed if added to the agenda. As of November 20, this has not occurred.

¶3. (U) The contradictory statements and lack of GOP support for Chalupec caused the resignation of supervisory board member Maciej Mataczynski on November 9 (before the Treasury Ministry backtracked). In a statement posted on PKN Orlen's website, Mataczynski wrote that "The reasons why the Treasury demanded Chalupec's departure from the company are not tied to his professional achievements, which in my opinion should be the only criteria taken into account by the supervisory board". According to our sources, Mataczynski was the only supervisory board member supporting Chalupec. Treasury officials refused to comment on Mataczynski's statement or allegations that the problems between Chalupec and the Treasury Ministry have been escalating in the past three months. Since the statement's posting, press reports have

included speculation on potential replacements, including biographic information.

14. (C) Our sources indicate that the GOP was surprised that PKNO won last year's tender for Lithuania's Mazeikiu refinery. GOP officials were initially not supportive of the purchase. Contacts at the Ministry of Economy told us that they preferred concentrating on purchasing the Yukos stake in Transpetrol in Slovakia to Mazeikiu. President Kaczynski's public statements supporting the sale in May were the first signs that the GOP would assist PKNO in the purchase and were greatly appreciated by the company. Cezar Filipowicz, Deputy President of PKNO told Econoff that Deputy Minister of Economy Naimski is still not very enthusiastic about the purchase, but because PKNO made the deal, feels he must fight to help the company. Naimski's lack of enthusiasm for the deal has been confirmed by his subordinates.

15. (C) Comment: Post expects that the press will continue to speculate on when PKN Orlen's Chalupec will be removed and who his replacement will be. However, we do not anticipate that the GOP will make a change in the PKN Orlen President until after the Mazeikiu deal is concluded. Despite general GOP lack of enthusiasm for the deal, the attempts to undermine PKN Orlen's purchase of the refinery have united the GOP in what it perceives as a fight against Russia for control of Poland and Central Europe's energy security. The GOP will not want to make any moves that might undermine the purchase. Publicly, both the GOP and PKNO are stating that they hope to complete the transaction by December 15, although GOP contacts emphasize to us that the final report of the Mazeikiu fire is critical to PKNO's ability to close. However, once the Mazeikiu deal is concluded, we expect Chalupec to be congratulated and then shown the door.  
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